

(S. B. 1154)

(No. 108-2014)

(Approved July 23, 2014)

AN ACT

To amend paragraph (1) of subsection (l) of Section 6053.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code of Puerto Rico of 2011,” to provide that the Industrial Development Company shall receive as an annual and recurring appropriation a share of the federal cover over of the excise tax collected on rum bottled in Puerto Rico or shipped in bulk from Puerto Rico to the United States and sold to consumers in the United States to defray operating expenses of the Rums of Puerto Rico Program and promote the development of sugarcane.

STATEMENT OF MOTIVES

The Industrial Development Company administers various economic development programs to promote Puerto Rico internationally as an investment destination. In fact, the Rums of Puerto Rico Program, attached to the Industrial Development Company, was created in 1948 for the purpose of incentivizing the production and promotion of Puerto Rican Rum. This includes exposing Puerto Rican Rum in the foreign market for increased brand visibility through advertising campaigns, thus increasing rum sales abroad. As a result of all these efforts, Puerto Rico has become the leading rum exporter in the United States of America, exporting over seventy percent (70%) of the rum consumed in said jurisdiction.

In order to continue promoting the rum industry, the Commonwealth of Puerto Rico recently launched a project for the development of an agri-industrial sugarcane complex on the Island. This project seeks to strengthen the local rum industry by developing up to 20,000 *cuerdas* of sugarcane in the South and Southwest regions of Puerto Rico, among other things. Specifically, the project

goal is to produce around 800,000 tons of sugarcane with an estimated production of 20.5 million [gallons of] molasses, which would provide the raw material needed to promote a first-class rum industry worldwide.

In order to continue operating the Rum Program effectively, the Industrial Development Company should be guaranteed an annual recurring source of income and resources that allows it to implement new short-, medium-, and long-term strategies. Among the benefits received by the Commonwealth of Puerto Rico as a result of the joint effort of the Rums of Puerto Rico Program and local rum producers, is the cover over of the excise tax collected on rum produced locally and imported into the United States, known as the “Rum Cover Over.” At present, however, up to 46% of the rum cover over is set aside to subsidize local rum producers, and the remaining 54% is remitted to the General Fund of the Commonwealth of Puerto Rico. Consequently, the Rums of Puerto Rico Program has not received any appropriation for its operations since Fiscal Year 2011-2012.

This Legislative Assembly deems it necessary to ensure the continuity of the Rums of Puerto Rico Program. Thus, this measure seeks to provide that a share of the cover over of the excise tax collected on rum bottled in Puerto Rico or shipped in bulk from Puerto Rico to the United States and sold to consumers in the United States shall be appropriated to the Industrial Development Company beginning from Fiscal Year 2015-2016, in order to defray the expenses of the rum industry promotion programs, as well as the development of the sugarcane industry in Puerto Rico.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Paragraph (1) of subsection (1) of Section 6053.01 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” is hereby amended to read as follows:

“Section 6053.01.- Powers of the Secretary.

(a) ...

...

(1) Provision on Federal Taxes collected on Puerto Rican rum shipped to the United States.-

(1) The Secretary is hereby directed to set aside, in a Special Account, up to twenty-five percent (25%) of the amounts that the Government of the United States covers over to the Treasury of the Government of Puerto Rico on account of the tax on rum bottled in Puerto Rico or shipped in bulk from Puerto Rico to the United States and sold to consumers in the United States. The Governor of Puerto Rico, upon recommendation from the Secretary and the Government Development Bank for Puerto Rico, may increase such cap up to forty-six percent (46%) through Executive Order to such effect, after December 31, 2011, whenever such increase is necessary or convenient to enable rum producers in Puerto Rico to compete in the foreign market on equal terms with their competitors in other United States jurisdictions. Notwithstanding the foregoing, the Treasury of the Commonwealth of Puerto Rico may never withhold an amount that is less than fifty-four percent (54%) of the amounts covered over by the United States Government on account of the tax on rum bottled in Puerto Rico and sold in the United States or shipped in bulk from Puerto Rico to the United States and sold to consumers in the United States. It is further provided, that on an annual recurring basis, beginning Fiscal Year 2015-2016, inclusive, the Secretary shall transfer two point five percent (2.5%) of the total amount that the Government of the United States covers over to the Treasury of the Government of Puerto Rico on account of the excise tax on rum bottled in Puerto Rico or shipped in bulk from Puerto Rico to the United States and sold to consumers in the United States, to the Industrial Development Company up to a maximum of ten million dollars (\$10,000,000) a

year. Said appropriation shall be used to defray the operating expenses of the Rums of Puerto Rico Program, including among others, the promotion of local rum industries, in addition to the development of the sugarcane industry. In July of each year, the Executive Director of the Industrial Development Company shall certify to the Department the surplus of the transfers received in accordance with this subsection during previous fiscal years, if any. The annual appropriation provided herein for the Industrial Development Company need not be remitted to the Secretary during any fiscal year in which the Executive Director of the Industrial Development Company certifies to the Department that there is a surplus of these appropriations of at least fifty million dollars (\$50,000,000). The appropriations provided for herein shall resume only for such fiscal years in which the Executive Director of the Industrial Development Company certifies to the Department that the surplus, once the appropriated funds hereunder are used, is below fifty million dollars (\$50,000,000), but only in the amount that is necessary for the certified amount to reach fifty million dollars (\$50,000,000), up to a maximum of ten million dollars (\$10,000,000) annually. The amount herein appropriated to the Industrial Development Company shall not impair the provisions relating to the amount to be set aside in a Special Account pursuant to this subsection for rum producers.

(2) ...

(m) ...”

Section 2.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 108-2014 (S. B. 1154)** of the **3rd Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to amend paragraph (1) of subsection (l) of Section 6053.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code of Puerto Rico of 2011,” to provide that the Industrial Development Company shall receive as an annual and recurring appropriation a share of the cover over of the excise tax collected on rum bottled in Puerto Rico or shipped in bulk from Puerto Rico to the United States and sold to consumers in the United States to defray operating expenses of the Rums of Puerto Rico Program and promote the development of sugarcane.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 14th day of February, 2017.

Orlando Pagán-Ramírez
Acting Director